

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1622 - SB 1498

March 29, 2011

SUMMARY OF BILL: Authorizes general sessions court judges who are Group 1 or Group 3 members of the Tennessee Consolidated Retirement System (TCRS), and any future general sessions court judges, to be eligible for and receive retirement benefits from TCRS as Group 4 members. Establishes lump sum contribution requirements for current general sessions court judges, if applicable, for the purpose of bringing the members' contributions up to a level equivalent to the amount the members would have contributed if the members had been previously eligible for Group 4 benefits. Requires any such lump sum contributions to be made within 180 days of July 1, 2011.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures - \$2,736,300*

Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be \$24,664,100.

Assumptions:

- TCRS provides retirement benefits for retired state employees, retired teachers, and retired local government employees.
- Based on information provided by TCRS, this bill will increase the lump sum pension liability of TCRS by approximately \$24,664,100.
- TCRS typically utilizes a 20-year horizon, pursuant to Tenn. Code Ann. § 3-9-103(b), and a 7.5 percent interest rate, pursuant to Tenn. Code Ann. § 8-34-505, when estimating annual amortized payments of pension benefits. The estimated annual amortized payment derived from these assumptions is used when TCRS cannot reasonably determine the specific members impacted by proposed legislation.
- TCRS staff determined the specific members that will be impacted by this legislation. As a result, a more accurate estimate for the annual amortized payment of pension benefits can be obtained. TCRS indicates the annual amortized payment of pension benefits will be approximately \$2,736,300.
- TCRS indicates this cost will be paid entirely by local governments. Therefore, a recurring increase to local government expenditures of \$2,736,300.

*Article II, Section 24 of the Tennessee Constitution provides that: *No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc